

Sales and Use Tax on Trailers for Farmers and Nurseries

Sales & Use tax notice

Farm equipment used directly and principally for the production of an agricultural product for sale and use or consumption off the premises is exempt from sales and use tax if the retail price for any single article exceeds \$250. Automobiles and trucks are specifically excluded from this exemption. Tenn. Code Ann. Sections 67-6-102(9) and 67-6-207. However, trailers used to transport livestock, as defined in Tenn. Code Ann. Section 44-18-101, do qualify as farm equipment and machinery.

To qualify for the farm machinery exemption, the purchaser must attest that he is purchasing the item for use directly and principally in the *production* of an agricultural product for sale and use or consumption off the premises. A dealer is required to obtain and maintain documents signed by the customer attesting to this fact on each of the sales for which it did not collect tax. The department's [exemption form](#) generally used for claiming this exemption is attached.

Hay wagons, silage wagons, grain wagons and similar items designed for and used within the confines of the farm to move the harvested product to storage or for use in feeding the farm animals or poultry are exempt. However, tax must be collected on trailers that will be principally used before or after production, or during times in which no production activity is occurring. The following are examples of trailers on which sales tax must be collected:

1. Trailers principally used to haul harvested products to market;
2. Trailers used principally for on-road use in the acquisition of products (e.g. seed, fertilizer, etc.) or equipment destined to be used in the actual production activity; and
3. Trailers used principally for on-road use in the transportation of equipment between farms or nurseries.

Tenn. Code Ann. Section 67-6-501 places the liability for sales tax on the dealer selling tangible personal property. While the dealer should charge its customer the appropriate tax, ultimately the dealer is liable to the state.

If a dealer's customers signed the required documents, the department may pursue tax collection against the customers for misrepresenting their entitlement to the exemption. However, the dealer is liable for the tax if the dealer has failed to obtain and maintain the required documents or if the dealer is accepting documents that it knows are false or contain information that clearly shows the use of the trailer does not meet the requirements for this exemption. County clerks are advised not to accept vehicle registration applications for trailers under the claim of farm equipment with the exception of livestock trailers.

Have questions or comments? Please let us know. [Contact us.](#)

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